



SUBMITTED VIA EMAIL

June 19, 2020

The Honorable Ricardo Lara
Commissioner, California Department of Insurance
300 Capital Mall 17th Floor
Sacramento, CA 95814

Re: Response to Bulletin No. 2020-3 (Premium Refunds, Credits and Reductions in Response to COVID-19 Pandemic)

Dear Commissioner Lara:

We are writing in response to your Department's request for information on policyholder relief measures associated with the ongoing COVID-19 pandemic. Like every American business, leader, policymaker and citizen, we are taking unprecedented steps to adapt and adjust to a rapidly changing environment. Not surprisingly, our efforts have centered on the health and safety of our employees, the financial protection of our customers, the capabilities of our partners and the resources available to our communities. Given that we are still very much in the midst of this crisis, we continue to adjust our operating policies and practices to ensure that we deliver on what The Hartford has excelled at for over two centuries: living up to our contractual commitments and supporting our policyholders when they need us most.

Since its founding in 1810, The Hartford has stood by its customers through every day perils and natural catastrophes affecting whole regions. The COVID-19 pandemic is obviously unlike anything we've seen before as it has swept across the entire country adversely impacting almost every business and citizen. As a result, it has prompted us to take unprecedented steps to support our customers. Among them was our decision in April to provide all personal lines policyholders with a 15% refund of their April and May auto premiums affecting over 124,000 California policyholders and refunding over \$5 million dollars. As outlined below, we also took myriad steps to address the common and unique needs of our commercial customers. On a commercial-wide basis, we provided billing and payment flexibility, suspended cancellations and waived certain exclusions and other provisions. On a more individualized basis, we recognize that few, if any, businesses have been immune to the fallout of this pandemic, although its impact has varied by geography, class of business and even within classes. Most businesses

have been tragically shuttered in the interests of community health, however, some such as grocery stores, delivery service organizations, insurance companies and even bike shops, have been busier than ever before. As a result, over the course of this crisis, The Hartford has made over 125,000 exposure adjustments for our Commercial Lines customers across the country, reflecting the reduced exposures faced by our customers. These adjustments amount to about \$30 million in premium returned to customers. For California customers alone, this translates into about 22,000 exposure adjustments and over \$12 million in premium returned. These adjustments have already provided, and will continue to provide, meaningful premium relief for thousands of our policyholders. We are making adjustments to payroll, sales and vehicles that are no longer in service regularly. We are also working closely with our distribution partners to answer questions of every kind, including where additional premium adjustments or other accommodations may be available and warranted.

Summary of actions The Hartford has taken to provide support and relief to its policyholders

When we began to understand the depth of the coming crisis in March, The Hartford took urgent steps to implement a variety of actions across all lines of business to help ease the burdens our customers were facing. Here are some examples of the actions we undertook:

- Instituted company-wide moratorium on cancellation of policies for non-payment of premium through May 31, 2020, which includes a waiver of late fees that accrued during the moratorium, providing premium relief to over 241,000 policyholders across the country.
- Suspended all cancellations for underwriting reasons through June 30th in our Small Commercial business segment.
- Voluntarily rescinded non-renewals for Small Commercial policyholders whose policies were non-renewed prior to June 30, 2020 and had not secured replacement coverage.
- Electing not to enforce vacancy or abandonment provisions in commercial property policies when buildings are vacant for any reason during active shelter-in-place orders related to the pandemic.
- Waiving the commercial use exclusion under personal auto policies in relation to temporary coverage for personal autos being used for delivery by restaurant workers. We are providing “Non Owned Liability” coverage to restaurant owners to enable employees to use their personal vehicles for delivery during the pandemic.
- Providing flexibility and additional time for policyholders to provide information needed to process renewals, complete final audits, comply with non-compliance notices and pay final premium audit payments that are due.
- Providing leniency to policyholders related to inspections, repairs, written proof requirements, claim deadlines and processed endorsements.
- Providing billing and payment accommodations upon request, including transitioning policyholders to premium installment plans, deferred installment billing, and payment by credit card.

- Assisting policyholders with coverage for temporary increased or changed exposures related to the pandemic (such as when hotels are turned into quarantine sites or clothing manufacturers produce masks).
- Providing risk engineering and loss control guidance to address risks associated with the pandemic, and allowing additional time to respond to and comply with open loss control recommendations.
- We continue to monitor developments closely and are posting regular updates and contact [information, along with guidance related to](https://www.thehartford.com/coronavirus) the pandemic, on our external website (<https://www.thehartford.com/coronavirus>).

Evaluation of changes to measures of risk incident to the Pandemic

The impact of this crisis is felt by each of us in ways unique to our own circumstances. In an effort to provide immediate premium relief to our automobile policyholders, we implemented The Hartford's Personal Auto Payback Plan. This initiative was in addition to the actions outlined above. This plan provides policyholders with a 15 percent refund of their April and May personal automobile insurance premiums. This approach helped address the reduction in miles driven by personal lines policyholders, the measure of risk most directly affected by the pandemic. Most importantly, this helped to provide some immediate financial relief to our policyholders. Unlike our commercial auto policyholders, who were less impacted by shelter-in-place and stay-at-home orders, almost all of our personal auto policyholders were affected by those orders. Through the Personal Auto Payback Plan, The Hartford refunded \$5,391,875.00 to 124,573 personal auto policyholders in California.

The Hartford completed an internal review across our property and casualty lines of business to determine whether rates in any lines of business are excessive, inadequate or unfairly discriminatory when considering the pandemic. We have concluded based on the available data and our analysis that none of our property and casualty lines of business, with the exception of personal lines auto, have a measure of risk that is substantially overstated. The personal lines automobile line of business is unique as the stay at home orders directly affected drivers resulting in a universal reduction in exposure whereas other lines of business are unique and contain different associated risks. Nevertheless, we felt there was still more we could do for our Commercial policyholders and we have taken a number of steps working with our agents and brokers to communicate with our Commercial customers.

Specifically, we have communicated to our agents and brokers, reminding them of the importance of understanding the unique needs of each policyholder in order to determine whether individual policies might require premium adjustments or some other form of accommodation. As noted above, these efforts along with others, have resulted in approximately 125,000 exposure adjustments for our Commercial Lines customers. We interact daily with our agents and brokers, and based on customer feedback and changing needs, we are adapting policies to better meet the rapidly changing marketplace and measure of risk. Typically, these types of exposure adjustments are made during renewal processing or premium audit. Through our communications with our agents and brokers, and information on our customer facing website, we've endeavored to ensure that our policyholders are aware that The Hartford may be able to provide some relief now for those policyholders who have experienced a reduction in exposure. We have helped our policyholders by facilitating mid-term reductions in payroll,

revenue, sales, miles driven, and for commercial auto and ocean marine lines of business, applying lay-up credits. Our commitment to closely collaborate with our agents and brokers to support our policyholders gives us the opportunity to act in a targeted and precise manner to provide premium or other appropriate relief to policyholders.

Additional factors exist within each line of business which support the conclusion that our property and casualty lines of business have yet to see measures of risk that are significantly overstated due to the pandemic.

Key factors and considerations by Line of Business

Workers' compensation. At this time, it is unclear whether the impact of the pandemic will result in reduced loss costs or if a premium credit is justified by expected improvements in loss experience. The current pandemic has increased the volatility in the workers compensation marketplace and we expect this volatility to continue for at least the next twelve to eighteen months. Broadly speaking, medical costs associated with COVID-19 are significant, and the resulting loss costs are likely to increase dramatically over time. Through our agent, broker and customer communications outlined above we are providing premium relief to policyholders by right sizing applicable payrolls to current levels and reclassifying employees to appropriate class codes when requested mid-term, and for all policyholders at audit.

Commercial Multi-Peril. Due to the state specific stay at home orders, we are experiencing an increase in vacant properties covered under our policies together with shifting usage at certain locations. Vacant properties have historically run at higher loss costs than occupied properties, and shifting usage at certain locations may lead to increased or decreased risk of loss depending on circumstances. These two drivers of loss costs have increased the uncertainty across our accounts, and we remain concerned that they will ultimately rise significantly due to the pandemic. In addition, our Business Owners policy faces the same liability considerations described below.

Commercial Liability. The ongoing pandemic has created a host of new potential liability issues and, as a result, potential General Liability claims could be quite significant. The variability of risk by industry is vast. For example, clients in the construction industry are dealing with potential risks associated with delays in the completion of contracted work leading to liability claims. The slowdown of the U.S. economy has caused a heightened risk for goods no longer in transit as those goods are often concentrated in one area for storage until they can be used or shipped. Even for businesses that are still closed, safety and upkeep remain a risk. Nearly all businesses open or about to open will now face new challenges in adhering to state and federal safety guidance and avoiding claims of negligence.

Commercial Automobile. With regard to our commercial auto line of business, while claim frequency is down, it is unclear whether overall loss costs have declined. As has been widely reported in the press, while there have been fewer vehicles on the nation's roads over the last ten weeks, driver behavior may be a contributing factor to anecdotally higher severity despite the lower frequency. High speed accidents have tragically led to more severe accidents.

There are no other lines of coverage where the measures of risk have become substantially overstated as a result of the COVID-19 pandemic.

In addition to working with our customers and supporting them as they seek to adjust to this crisis, we are actively responding to their claims. We are in the business of paying claims. We pay often and a lot.

As we continue to make adjustments to processes or procedures in an effort to better support our customers, we remain mindful of the need to balance any implementation of immediate premium relief with the likelihood that the current environment could result in the need to increase rates at a later date. The resulting swing of premium briefly down and then sharply up may not be in the best interests of our customers or the industry as a whole.

The State of California has long been one of The Hartford's most important markets. It is the largest market for all of our Personal Lines and Commercial segments. At year-end 2019, S&P Global/SNL Financial ranked The Hartford #15 for All P&C Lines in California (by direct premiums written). We remain strongly committed to the California marketplace and to serving our customers in the state by understanding their needs and developing solutions to help them meet those needs. Part of that ethic is borne out by the measures we've undertaken to assist our California policyholders during this crisis. We know that as a regulator, you must carefully balance your critical role in consumer protection with important prudential oversight responsibilities. Achieving the optimal balance will help ensure a competitive and healthy insurance market which will benefit consumers and insurers alike.

As our economy begins the slow process of reopening, it is clear that we are entering a new phase of the COVID-19 economic crisis. At The Hartford, we're committed to continuing to partner with our distribution partners and assisting our customers as they navigate through these challenging times. We will continue to assess the risk environment and will make appropriate adjustments or accommodations based on our evaluation of the data and the unique needs of our customers.

If you have any questions, please do not hesitate to contact Meggan Conner, Assistant Vice President, Government Affairs, at 860-547-2849 or Meggan.Conner@thehartford.com.



Sincerely,

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Cc: Meggan Conner (The Hartford)